



## News Release

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**GAO ISSUES UNQUALIFIED OPINION OF IRS' 2000 FINANCIAL STATEMENT; IRS COMMITTED TO MAKING MORE IMPROVEMENTS**

WASHINGTON – For the first time, the General Accounting Office has issued an unqualified or “clean” opinion of all of the financial statements of the Internal Revenue Service. These financial statements include both the tax revenue (custodial) and the administrative accounts for fiscal year 2000.

A clean opinion means the GAO has audited IRS financial statements and can attest that they fairly account for IRS total revenue collections of more than \$2 trillion, refunds of more than \$190 billion, and total IRS appropriations of more than \$8.3 billion.

The financial statements report the assets, liabilities, net position, net cost, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity related to IRS' administering the federal tax law.

“This is a significant accomplishment and an important milestone in the progress of the IRS,” said IRS Commissioner Charles O. Rossotti. “Obtaining a positive report from GAO represents a great deal of hard work and cooperation by IRS employees and our auditors at GAO. We appreciate GAO's suggestions, and we realize that we must maintain the same momentum of effort and continue to address identified problems and focus on our modernization efforts.”

IRS generally agreed with GAO concerns regarding weaknesses in the agency's internal controls. The IRS is committed to addressing these weaknesses. Some will be addressed in the coming year and others will be addressed through the ongoing modernization effort, in which outdated systems will be replaced with systems that will provide comprehensive management information.

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As a result of prior GAO recommendations, the IRS has made significant improvements. During FY 2000, the IRS:

- Implemented reconciliation procedures for IRS fund balances and ensured prompt review and reconciliation was performed.
- Revised reporting and disclosure for the statement of net cost to properly classify IRS programs.
- Improved management of property and equipment inventories.
- Improved review and management of administrative "suspense" accounts.
- Reduced the number of computer security weaknesses.
- Addressed issues related to safeguarding taxpayer data.
- Improved IRS ability to substantiate unpaid assessments.

The IRS is addressing GAO suggestions to improve financial accountability as part of the IRS modernization effort. The agency is committed to work with GAO in resolving all identified issues and sustaining its unqualified opinion.

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